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SUBJECT: ECUADOR ECON WEEKLY: RICE PRICE CONTROLS, UNEMPLOYMENT RATE FALLS, NEW MINISTER OF INDUSTRIES

**¶11.** (U) The following is a weekly economic update for Ecuador that reports notable developments that are not reported by individual cables.

Rice Price Controls Supplement an Export Ban

**¶12.** (SBU) On May 31, President Correa extended a September 2007 decree to banning rice exports, in an effort to increase domestic supply and lower prices. He also issued a decree mandating that the price for rice should be between USD 24-28 per 100 pound sack (the domestic market price is currently USD 28-30 per sack; producers reject the lower price). According to Julio Carchi, President of the America Lomas Rice Association in Daule, rice producers are furious at the GOE's rice export ban, denying them access to the lucrative Colombian market where rice goes for USD 48-50 per sack. Some industry experts believe Ecuadorian rice producers are stockpiling rice in order to export it to Colombia later, creating a rice shortage in the domestic market and further exacerbating price increases. On June 17, President Correa, the Minister of Agriculture Walter Poveda, and a team of advisors met with 800 rice producers to negotiate a compromise rice price. To date, no compromise has been reached, and rice producers still reject the prices proposed by the GOE.

Unemployment Rate Falls

**¶13.** (U) On June 19, the Central Bank reported an unemployment rate of 6.9% for May, covering Ecuador's five main cities of Quito, Guayaquil, Cuenca, Ambato and Machala. According to Finance Minister Fausto Ortiz, this is much better than last March, when the rate reached 10.28%. Ortiz also noted that unemployment has fallen since April, when the rate reached 7.93% due to major spring floods.

Among cities, Guayaquil has the largest unemployment rate (9.10%) and Ambato has the lowest (4.05%).

New Minister of Industries

**¶14.** (U) On June 19, President Rafael Correa dismissed Raul Sagasti as Minister of Industries and Competitiveness and replaced him with businessman Xavier Abad Vicua. Sagasti was the last original member of Correa's economic cabinet.

**¶15.** (U) Correa said that Abad will be in charge of the management of a new project to supply natural gas to Cuenca. In 2006, Abad was administrator of the Corporation "Much Better Ecuador," which promotes Ecuadorian-made products. In 2005, he served as Executive President of Cuenca's Chamber of Industries. In 2003 he was Vice Minister of Industries under the Lucio Gutierrez administration. Abad was also part of Ecuador's official negotiating team during the Free Trade Agreement negotiations with the United States.

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